



**Town of Arlington
Office of the Town Manager**

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November 16, 2009

Report on GIC Status

Given the number of inquiries that I have received from Town Meeting Members, the amount of misinformation that has been passed around, and the relative importance of this issue, I felt that it was important that I provide this update to you on the issue of health insurance and the Town's attempt to better control this major cost.

Two years ago the State passed legislation that allows municipalities to join the State's health Insurance plan, GIC, after negotiations with the unions through coalition bargaining. The first opportunity to join GIC in October 2007 was too soon to investigate the cost savings to the Town and employees. Further, the GIC was in the process of bidding all of its health insurance plans for July 1, 2008, making a comprehensive evaluation impossible.

We began meeting in earnest with the unions and retirees in June of 2008 to educate them on health insurance issues and the options available. At that time, we were working with facilitator Bob McKersie, an Arlington resident, and the Massachusetts Teachers Association (MTA) health insurance consultant, Carol Chandor of Boston Benefits Partners, LLC. Additionally, we met with the main architect of the recent legislation which allows municipalities to join the GIC. He explained the process and provided some basic information about the GIC. We then met with officials from the GIC who explained in detail the plans and benefits offered under the GIC.

At that point, I felt it appropriate that we commence the formal coalition bargaining process for the purpose of negotiating an agreement to join the GIC. Accordingly, on October 20, 2008, I recommended to the Board of Selectmen, and the Board unanimously passed, the following vote:

The Board of Selectmen accept M.G.L. c. 32B, section 19 (as amended) for the purpose of transferring all subscribers for whom the Town provides health insurance to the Group Insurance Commission pursuant to M.G.L. c. 32B, section 19 (e).

And further, to authorize the Town Manager to: notice forthwith the initial meeting of a Public Employee Committee for the purposes of M.G.L. c. 32, section 19 (e); bargain with such Public Employee Committee for the purposes of M.G.L. c. 32B, section 19 (e); enter into an agreement with such Public Employee Committee for the purposes of M.G.L. c. 32B, section 19 (e); and take all such other steps as are reasonably related to the transfer of all subscribers into the Group Insurance Commission.

The only avenue available to join the GIC is through the formation of a PEC (Public Employees Committee) with a 70% weighted vote requirement through a coalition bargaining process. The weighted vote for each union is listed in the following table. Each union and the retirees have one voting representative on the PEC who is authorized to make binding agreements subject to a ratification vote of their respective union memberships.

Union	Weighted Vote
AEA - Arl. Education Assoc.	44.04%
AFSCME - Local 680	25.50%
Firefighters	7.56%
Patrolmen	4.43%
SEIU	3.23%
AAA - Arl. Administrators Assoc.	2.22%
Ranking Officers	1.81%
Librarians	1.21%
Retirees	10.00%
	100%

While we began meeting immediately, it was difficult keeping the unions (PEC) engaged in the process. Nonetheless, ten separate meetings were held. This was in addition to the several informational sessions held earlier. From November 18, 2008 to June 3, 2009 six negotiating sessions were held. We requested to meet through the summer, but the PEC declined. It was difficult to get the PEC re-engaged in the fall. It was not until it was clear that we were facing major layoffs that the PEC agreed to meet on October 13, 2009. Subsequently, negotiating sessions were held on October 19, 20, and 29th. Throughout the ten formal negotiating sessions, the PEC was encouraged and sought the expertise of its own health insurance consultant Carol Chandor. Ms. Chandor and the Town's health insurance consultant, Group Benefits Strategies, worked together to compile factual information for the Committee's consideration. At the Committee's request, we looked at other options such as a sole provider and keeping the current providers but changing the co-pays to levels similar to the GIC. None of the options provided any significant savings and only shifted costs to the employees. The GIC, because of its size and bargaining power, was the only option that provided true and significant savings for the Town and employees.

My goal was to provide quality health care coverage for all employees without a cost increase to them while maximizing the Town savings that would go towards preserving the jobs of as many employees as possible. I reminded the PEC that the smaller the savings to the Town means more employees would lose their jobs and the health insurance that goes along with it.

On Thursday October 29th, the union representatives and I agreed to a deal that the PEC members said they could bring back to their memberships for a vote. While it put less of the savings towards minimizing layoffs than I wanted, it was better than no deal and still represented a win-win situation for the Town and employees.

The total first-year net savings were estimated at \$5.1 million. The employees would have received \$2.6 million through reduced health care costs and a 2% wage increase. The balance, \$2.5 million, would go to the Town to reduce the number of employee layoffs and minimize service reductions. A summary of the terms of the agreement and the resulting savings is included in the following table.

Agreement:

Three year agreement to join the GIC effective July 1, 2011. Employees and retirees share of substantially reduced premiums would also be further reduced as follows:

	Employee/Retiree Contribution		
	Current	Proposed	Conditional*
Active and Retired Employees			
HMOs	15%	13%	10%
PPOs	25%	13%	10%
Surviving Spouses			
HMOs & PPOs	50%	13%	10%
Indemnity	50%	25%	
Medicare Part B	100%	50%	

* Conditional - Applicable if the deductible instituted by GIC increased above a specific amount.

Wage Increases: FY2010: 0% FY2011: 2% FY2012: 2%
Binding offer by Town – each union free to accept or reject

TOTAL REPLACEMENT GIC		Town	Employee/ Retiree
FY2011	Premium Savings	(3,948,504)	(1,657,033)
	Out-of Pocket costs		520,845
	Medicare Part B	457,514	(457,514)
	Salary Increase	1,000,000	(1,000,000)
	Net Cost/(Savings):	(2,490,990)	(2,593,902)
FY2012	Premium Savings	(4,623,689)	(1,867,523)
	Out-of Pocket costs		557,090
	Medicare Part B	497,501	(497,501)
	Salary Increase	2,000,000	(2,000,000)
	Net Cost/(Savings):	(2,126,188)	(3,807,934)
FY2013	Premium Savings	(5,382,826)	(2,101,441)
	Out-of Pocket costs		596,086
	Medicare Part B	540,982	(540,982)
	Salary Increase	2,000,000	(2,000,000)
	Net Cost/(Savings):	(2,841,844)	(4,046,337)
SUMMARY	Premium Savings	(13,955,019)	(5,625,997)
	Out-of Pocket costs	-	1,673,821
	Medicare Part B	1,495,997	(1,495,997)
	Salary Increase	5,000,000	(5,000,000)
	Net Cost/(Savings):	(7,459,022)	(10,448,173)

On Tuesday, November 3rd the Teachers union leadership called the other members of the PEC and the Town to inform us that they had changed their minds and further that they would not even bring it to their membership for a vote.

I recognize that agreeing to join the GIC is not an easy decision for the unions. It means giving up their bargaining rights over health care plan design. I also recognize that the GIC is experiencing some budgetary problems that may result in its rates or co-pays increasing and that it may institute some level of deductibles. Any such increased costs, however, would be dwarfed by the \$2.6 million in savings. There is no conceivable scenario in which the increased costs would exceed the savings for employees. To keep the deal together and to allay some of these concerns, I even offered to further increase the Town's contribution from 87% to 90% should the GIC implement a deductible greater than a percentage of the premiums which would equate to approximately \$250 for an individual and \$750 for a family. Some concerns were expressed that while in the aggregate the unions would save, some individuals who experienced a number of health issues during the year could end up paying out of pocket more than what they saved. To address that scenario, I suggested during negotiations that the unions could take a small portion of their \$2.6 million in savings to establish a fund administered by a third party to assist those few employees. The Town is prohibited by GIC rules from contributing to, or administering, such a fund.

By its actions, not only did the AEA leadership fail to bargain in good faith, it turned a win-win situation into a lose-lose. Employees could have reduced their health care costs, received a 2% salary increase, saved the jobs of a large number of their colleagues, and retirees would have had their health care premiums reduced along with the Town paying 50% of their Medicare Part B premium for both the retiree and spouse. In addition, many valuable services would have been preserved for residents. Instead health care costs will remain high for the employees and Town, there will be no funds for raises, retirees will continue to pay high costs with no contribution from the Town towards Medicare premiums, many employees will lose their jobs, and residents will lose many services. I appreciate the union leaders who bargained in good faith and understood what was at stake and the unique opportunity for a positive outcome for all parties at the negotiating table.

It's important to note that the GIC offers quality health care in a cost effective manner. Ask a State employee about the quality of their health care options and I'm sure the overwhelming response would be that they are very satisfied. We have Town employees who, through their spouses, have the option of joining the GIC and have opted for the GIC over the Town's health insurance.

Arlington health care costs have increased close to 10% on average annually for the last decade. While we have been able to negotiate some changes, the fact that it took us five years and two expensive arbitrations to make minimal co-pay changes such as going from \$5 to \$10 for a doctor's visit is clear evidence that the current process does not work.

It is time to change the law. The Legislature must remove the handcuffs it has placed on cities and towns preventing them from exercising effective control over their largest cost. To put it simply, Massachusetts cities and towns are being crushed under a two-tiered system. The State implements plan design changes and contribution changes as it deems appropriate. However, the State does not grant that option to municipalities, forcing them to obtain union approval before any changes can be made.

A law that allows one union to block the other unions and Town from taking this important step is unacceptable. There is absolutely no justification for the double standard whereby the State retains authority over its employee health care program but denies that same authority to cities and towns. Cities and towns should have the option of managing their healthcare plan designs in the same fashion as the State. At the barest minimum cities and towns should be able to join the GIC without having to obtain union approval.

Unfortunately this will not happen until our legislators hear from you and other residents demanding that they file and push for legislation that allows the Town to join the GIC without first having to obtain union approval. Please call and write to our legislators, the legislative leadership, and the Governor now. Their contact information is as follows:

Representative Jay R. Kaufman
The State House, Room 156
Boston, MA 02133
617-722-2320
Rep.JayKaufman@hou.state.ma.us

Governor Deval Patrick
The State House, Room 206
Boston, MA 02133
617-725-4005

Representative Sean Garballey
The State House, Room 134
Boston, MA 02133
617-722-2400
Rep.SeanGarballey@Hou.State.MA.US

Senate President Theresa Murray
The State House, Room 330
Boston, MA 02133
617-722-1500
Theresa.Murray@State.ma.us

Rep. William Brownsberger
The State House, Room 437
Boston, MA 02133
617-722-2676
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Speaker of the House Robert A. DeLeo
The State House, Room 356
Boston, MA 02133
617-722-2500
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State Senator Kenneth J. Donnelly
The State House, Room 416-A
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